

## Valuation through the Analysis of Referenda & other “Public Decisions”

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## Rationale for Valuation via Referenda & Other Public Decisions

- Referenda are true willingness-to-pay public choices
- Direct connection to public decision preference
- Less tangible benefits are fully reflected
- Collection of referendum inferences can supplement & validate other approaches

## Rationale for Valuation via Referenda & Other Public Decisions

- Revealed preference via market behavior neglects “public-regardedness”
  - Private utility is not the whole story
- Stated preference entails hypotheticals
  - Sensitive to framing

## Premises of Revealed Preferences via Referenda

- Policymakers should treat public goods as the citizen wishes them to be treated
  - Contrast with the premise of policymakers serving the interests of citizens
    - Age-old controversy: meaning of representation

## Premises of Revealed Preferences via Referenda

- Value of participating in a public act is relevant
  - Contrast with absence in other approaches
  - Aspect of public-regardedness

## Premises of Revealed Preferences via Referenda

- Intensity is legitimate for according standing
  - Non-voters are appropriately discounted
  - Contrast with equal weighting of all

## Premises of Revealed Preferences via Referenda

- Median preference
  - Contrast with average value emphasis
    - Benthamite approach
  - “public’s choice” is the proposal receiving majority of support, not the choice with highest value across the public’s preferences

## Limitations & Problems

- Perceptions of costs & benefits diverge from actual
- Multiple elements confound the valuation of each component
  - E.g.: park space value difficult to discern if the referendum also includes environmental education activities
- Voters may be moved by other factors
  - Financing mode: tax vs. bonds
  - Politicians associated with pro & con

## Ideal Referendum

- Well-understood costs & benefits
- Single dimension of benefits
- Absence of extraneous financing mode or “political” issues
- 50-50 outcome
  - i.e., median voter sees the costs & benefits as nearly equal

## Practical Strategies

- Limit to referenda with:
  - Single or highly dominant benefit
  - Minimal extraneous issues
  - Close outcomes
    - But other referenda do establish floors or ceilings
- Survey to determine voters’ perceptions
  - Turns contingent valuation validation on its head

## Public Decisions regarding Willingness to Accept

- Community decisions to accept entry of polluters
  - IF Coasean conditions are approached
    - good information
    - clear property rights
    - low transactions costs

## Public Decisions regarding Willingness to Accept

- Similar caveats:
  - Minimize extraneous issues
  - Need for understanding of perceived stakes